



DUKE ENERGY CORPORATION
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

August 9, 2006

RECEIVED

AUG 09 2006

PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Dear Ms. O'Donnell:

Case No. 2006-00378

Enclosed for filing are an original and four (4) conformed copies of Duke Energy Kentucky's ("Duke") "Monthly Report of Gas Cost Calculations and Tariff Schedules," for the month commencing with the September 2006 revenue month in accordance with KPSC order dated November 6, 2003 in Case No. 2003-00386. This filing is based on supplier tariff rates expected to be in effect on August 29, 2006 and the NYMEX on August 7, 2006 for the month of September 2006.

The above described schedules and GCA are effective with the final meter readings of District 1, September 2006, revenue month (i.e., final meter readings on and after August 29, 2006).

Duke's proposed GCA is \$9.683 per Mcf. This rate represents an increase of \$0.909 per Mcf from the rate currently in effect for August 2006.

Please stamp "FILED" on the additional enclosed copy and return for our file. Thank you.

Very truly yours,

Lisa Steinkuhl

Enclosure

RECEIVED

DUKE ENERGY KENTUCKY
GAS COST ADJUSTMENT CLAUSE

AUG 09 2006

QUARTERLY REPORT

PUBLIC SERVICE
COMMISSION

GAS COST RECOVERY RATES EFFECTIVE FROM AUGUST 29, 2006 THROUGH SEPTEMBER 27, 2006

DESCRIPTION	UNIT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	9.236
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.002)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.417
BALANCE ADJUSTMENT (BA)	\$/MCF	0.032
GAS COST RECOVERY RATE (GCR) = EGC + RA + AA +BA	\$/MCF	<u>9.683</u>

EXPECTED GAS COST CALCULATION

DESCRIPTION	UNIT	AMOUNT
TOTAL EXPECTED GAS COST COMPONENT (EGC)	\$/MCF	9.236

SUPPLIER REFUND ADJUSTMENT CALCULATION

DESCRIPTION	UNIT	AMOUNT
CURRENT QUARTER SUPPLIER REFUND ADJ.	\$/MCF	(0.002)
PREVIOUS QUARTER REPORTED SUPPLIER REFUND ADJ.	\$/MCF	0.000
SECOND PREVIOUS QUARTER REPORTED SUPPLIER REFUND ADJ.	\$/MCF	0.000
THIRD PREVIOUS QUARTER REPORTED SUPPLIER REFUND ADJ.	\$/MCF	0.000
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.002)

ACTUAL ADJUSTMENT CALCULATION

DESCRIPTION	UNIT	AMOUNT
CURRENT QUARTER ACTUAL ADJUSTMENT	\$/MCF	(0.370)
PREVIOUS QUARTER REPORTED ACTUAL ADJUSTMENT	\$/MCF	(0.073)
SECOND PREVIOUS QUARTER REPORTED ACTUAL ADJUSTMENT	\$/MCF	0.873
THIRD PREVIOUS QUARTER REPORTED ACTUAL ADJUSTMENT	\$/MCF	(0.013)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.417

BALANCE ADJUSTMENT CALCULATION

DESCRIPTION	UNIT	AMOUNT
CURRENT QUARTER BALANCE ADJUSTMENT	\$/MCF	0.019
PREVIOUS QUARTER REPORTED BALANCE ADJUSTMENT	\$/MCF	0.040
SECOND PREVIOUS QUARTER REPORTED BALANCE ADJUSTMENT	\$/MCF	(0.004)
THIRD PREVIOUS QUARTER REPORTED BALANCE ADJUSTMENT	\$/MCF	(0.023)
BALANCE ADJUSTMENT (BA)	\$/MCF	0.032

THIS QUARTERLY REPORT FILED PURSUANT TO ORDER NO. 8373 OF THE KENTUCKY PUBLIC SERVICE COMMISSION DATED APRIL 16, 1982.

DATE FILED: August 9, 2006

BY: PAUL G. SMITH

TITLE: VICE-PRESIDENT, RATES

**GAS COST ADJUSTMENT
DUKE ENERGY KENTUCKY
EXPECTED GAS COST RATE CALCULATION (EGC)**

"SUMMARY" FOR THE EGC RATE IN EFFECT AS OF AUGUST 29 2006

		\$
<u>DEMAND (FIXED) COSTS:</u>		
Columbia Gas Transmission Corp.		2,600,057
Tennessee Gas Pipeline		1,122,074
Columbia Gulf Transmission Corp.		1,279,391
K O Transmission Company		307,584
Gas Marketers		381,915
TOTAL DEMAND COST:		5,691,021
PROJECTED GAS SALES LESS SPECIAL CONTRACT IT PURCHASES:	11,857,781	MCF
DEMAND (FIXED) COMPONENT OF EGC RATE:	\$5,691,021 /	11,857,781 MCF \$0.480 /MCF
 <u>COMMODITY COSTS:</u>		
Gas Marketers		\$8.756 /MCF
Gas Storage		
Columbia Gas Transmission		\$0.000 /MCF
Propane		\$0.000 /MCF
COMMODITY COMPONENT OF EGC RATE:		\$8.756 /MCF
 TOTAL EXPECTED GAS COST:		 \$9.236 /MCF

**GAS COST ADJUSTMENT
DUKE ENERGY KENTUCKY**

RAILS FOR THE EGC RATE IN EFFECT AS OF : AUGUST 29, 2006

	RATE (\$ DTH)	CONTRACT VOLUME (DTH)	NUMBER OF DAYS/MTHS	EXPECTED GAS COST (\$)
INTERSTATE PIPELINE : COLUMBIA GAS TRANSMISSION CORP.				
TARIFF RATE EFFECTIVE DATE : FSS: 2/1/2006				
SST: 4/1/2006				
<u>BILLING DEMAND - TARIFF RATE - FSS</u>				
Max. Daily Withdrawl Quan.	1.5000	39,656	12	713,808
Seasonal Contract Quantity	0.0288	1,365,276	12	471,839
<u>BILLING DEMAND - TARIFF RATE - SST</u>				
Maximum Daily Quantity	3.9630	39,656	6	942,940
Maximum Daily Quantity	3.9630	19,828	6	471,470
CAPACITY RELEASE CREDIT				<u>0</u>
TOTAL COLUMBIA GAS TRANSMISSION CORP. DEMAND CHARGES				2,600,057
INTERSTATE PIPELINE : TENNESSEE GAS PIPELINE				
TARIFF RATE EFFECTIVE DATE : NOT APPLICABLE				
<u>BILLING DEMAND - TARIFF RATE - FT</u>				
Max. Daily Quantity Zone 1-2	3.9371	47,500	6	1,122,074
CAPACITY RELEASE CREDIT				<u>0</u>
TOTAL TENNESSEE GAS PIPELINE DEMAND CHARGES				1,122,074

Currently Effective Rates
 Applicable to Rate Schedule FSS, ISS, and SIT
 Rate Per Dth

	Base Tariff Rate 1/	Transportation Cost Rate Adjustment		Electric Power Costs Adjustment		Annual Charge Adjustment 2/	Total Effective Rate	Daily Rate
		Current	Surcharge	Current	Surcharge			
Rate Schedule FSS								
Reservation Charge	\$ 1.500	-	-	-	-	-	1.500	0.049
Capacity	¢ 2.88	-	-	-	-	-	2.88	2.88
Injection	¢ 1.53	-	-	-	-	-	1.53	1.53
Withdrawal	¢ 1.53	-	-	-	-	-	1.53	1.53
Overrun	¢ 10.87	-	-	-	-	-	10.87	10.87
Rate Schedule ISS								
Commodity								
Maximum	¢ 5.92	-	-	-	-	-	5.92	5.92
Minimum	¢ 0.00	-	-	-	-	-	0.00	0.00
Injection	¢ 1.53	-	-	-	-	-	1.53	1.53
Withdrawal	¢ 1.53	-	-	-	-	-	1.53	1.53
Rate Schedule SIT								
Commodity								
Maximum	¢ 4.11	-	-	-	-	-	4.11	4.11
Minimum	¢ 1.53	-	-	-	-	-	1.53	1.53

1/ Excludes Account 858 expenses and Electric Power Costs which are recovered through Columbia's Transportation Costs Rate Adjustment (TCRA) and Electric Power Costs Adjustment (EPCA), respectively.

2/ ACA assessed where applicable pursuant to Section 154.402 of the Commission's Regulations.

Currently Effective Rates
 Applicable to Rate Schedule SST and GTS
 Rate Per Dth

	Base Tariff Rate 1/	Transportation Cost Rate Adjustment		Electric Power Costs Adjustment		Annual Charge Adjustment 2/	Total Effective Rate	Daily Rate
		Current	Surcharge	Current	Surcharge			
Rate Schedule SST								
Reservation Charge 3/	\$ 5.405	0.354	-0.017	0.029	0.000	-	5.771	0.190
Commodity								
Maximum	¢ 1.02	0.25	0.00	0.26	0.01	0.18	1.72	1.72
Minimum	¢ 1.02	0.25	0.00	0.26	0.01	0.18	1.72	1.72
Overrun	¢ 18.79	1.41	-0.06	0.36	0.01	0.18	20.69	20.69
Rate Schedule GTS								
Commodity								
Maximum	¢ 74.23	2.58	-0.11	0.45	0.01	0.18	77.34	77.34
Minimum	¢ 3.08	0.25	-0.11	0.26	0.01	0.18	3.67	3.67
MFCC	¢ 71.15	2.33	0.00	0.19	0.00	-	73.67	73.67

DISCOUNTED TO 3.963

1/ Excludes Account 858 expenses and Electric Power Costs which are recovered through Columbia's Transportation Costs Rate Adjustment (TCRA) and Electric Power Costs Adjustment (EPCA), respectively. For rates by function, see Sheet No. 30A.
 2/ ACA assessed where applicable pursuant to Section 154.402 of the Commission's Regulations.
 3/ Minimum reservation charge is \$0.00.

July 22, 2004

Union Light, Heat & Power Company
139 East Fourth Street, EM025
P.O. Box 960
Cincinnati, OH 45202

Attention: Mr. Jim Henning

RE: Firm Transportation Discount
Tennessee FT-A Service Package No. 46876
Open Season # 443

Dear Jim:

In response to the request of Union Light, Heat & Power Company ("ULH&P"), and pursuant to Section 5.1 of Tennessee Gas Pipeline Company's (Tennessee) FT-A Rate Schedule, Tennessee hereby agrees to adjust its then applicable FT-A Transportation rate for FT-A service provided under the above referenced contract as follows:

1. a) If ULH&P, its assignee(s) or its agent(s) (hereinafter collectively referred to as "ULH&P") violates the terms of this agreement or the terms of the above-referenced service package, Tennessee shall have the right, in its sole discretion, to immediately terminate this discount agreement and/or assess, from the date of the violation, the maximum Tennessee monthly reservation rate for the entire contract quantity and the maximum daily commodity rates on all transactions occurring under this agreement.
- b) For the period commencing November 1, 2004, and extending through April 30, 2005, for gas delivered by Tennessee on behalf of ULH&P to TCO North Means (Meter # 020049) under the above referenced service package, the applicable FT-A rates for volumes received by Tennessee from any Zone 1 100 leg or Zone L or 1 500 leg receipt point, will be the lesser of:
 - i) A monthly reservation rate of \$ 4.10 per Dth and a daily commodity rate of Tennessee's maximum daily commodity rate. These rates are inclusive of surcharges.

or

- ii) Tennessee's maximum monthly FT-A reservation and maximum daily commodity rates.

In addition, ULH&P will pay applicable fuel and lost and unaccounted for charges.

- c) For the period commencing May 1, 2005, and extending through September 30, 2005, for gas delivered by Tennessee on behalf of ULH&P to TCO North Means (Meter # 020049) under the above referenced service package, the applicable FT-A rates for volumes received by Tennessee from any Zone 1 100 leg or Zone L or 1 500 leg receipt point, will be the lesser of:
 - i) A monthly reservation rate of \$ 0.0000 per Dth and a daily commodity rate of Tennessee's maximum daily commodity rate. These rates are inclusive of surcharges.

or

- ii) Tennessee's maximum monthly FT-A reservation and maximum daily commodity rates.

In addition, ULH&P will pay applicable fuel and lost and unaccounted for charges.

d) For the period commencing October 1, 2005, and extending through April 30, 2006, for gas delivered by Tennessee on behalf of ULH&P to TCO North Means (Meter # 020049) under the above referenced service package, the applicable FT-A rates for volumes received by Tennessee from any Zone 1 100 leg or Zone L or 1 500 leg receipt point, will be the lesser of:

i) A monthly reservation rate of \$ 3.9371 per Dth and a daily commodity rate of Tennessee's maximum daily commodity rate. These rates are inclusive of surcharges.

or

ii) Tennessee's maximum monthly FT-A reservation and maximum daily commodity rates.

In addition, ULH&P will pay applicable fuel and lost and unaccounted for charges.

e) Receipts and/or deliveries to points other than those listed above during the term of ULH&P's Service Package shall result in ULH&P being assessed Tennessee's maximum reservation rate for the primary path divided by the number of days in the month for the entire contract TQ on the day(s) of such deliveries and the maximum daily commodity rates under Rate Schedule FT-A as well as the applicable fuel and loss charges and surcharges. In addition, deliveries exclusive of authorized overrun on any one day during the term of ULH&P's Service Package in excess of 47,500 Dth per day shall be subject to Tennessee's maximum daily commodity rate under Rate Schedule FT-A, as well as the applicable fuel and loss charges and surcharges, for those excess volumes.

2. If any terms of this agreement are disallowed by any order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee may immediately terminate this agreement. If any terms of this agreement are in any way modified by order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee and ULH&P may mutually agree to amend this agreement in order to ensure that the original commercial intent of the parties are preserved. In the event that the parties cannot achieve mutual agreement, Tennessee reserves the right to immediately terminate this agreement.

Please acknowledge your acceptance of this proposal by signing both originals and returning to the undersigned. Signed originals must be returned to undersigned on or before **fifteen (15)** working days from the date of the discount letter or discount is nullified and customer will be billed Tennessee's maximum FT-A reservation and commodity rates. One fully executed original will be returned for your records.

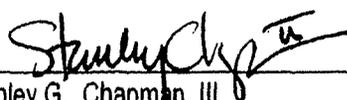
Sincerely,



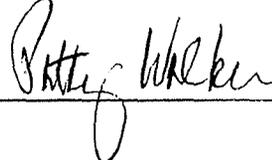
Jill H. Edwards
Marketing Manager

TENNESSEE GAS PIPELINE COMPANY

UNION LIGHT, HEAT & POWER COMPANY

By: 
Stanley G. Chapman, III
Agent and Attorney-in-Fact

Date: 9.14.04

By: 

Date: 9/10/04

*Approved as to terms
JH. 9/10/04*

**GAS COST ADJUSTMENT
DUKE ENERGY KENTUCKY**

RAILS FOR THE EGC RATE IN EFFECT AS OF : AUGUST 29, 2006

	RATE (\$ DTH)	CONTRACT VOLUME (DTH)	NUMBER OF DAYS/MTHS	EXPECTED GAS COST (\$)
INTERSTATE PIPELINE : COLUMBIA GULF TRANSMISSION CORP.				
TARIFF RATE EFFECTIVE DATE :	FTS-1: 4/1/2006			
	FTS-2: 4/1/2006			
<u>BILLING DEMAND - TARIFF RATE - FTS-1</u>				
Maximum Daily Quantity	3.1450	22,500	5	353,813
Maximum Daily Quantity	3.1450	22,782	5	358,247
Maximum Daily Quantity	3.1450	17,598	7	387,420
<u>BILLING DEMAND - TARIFF RATE - FTS-2</u>				
Maximum Daily Quantity	0.9995	15,000	5	74,963
Maximum Daily Quantity	0.9995	15,000	7	104,948
CAPACITY RELEASE CREDIT FOR FTS-1				0
CAPACITY RELEASE CREDIT FOR FTS-2				0
TOTAL COLUMBIA GULF TRANSMISSION CORP. DEMAND CHARGES				1,279,391
INTERSTATE PIPELINE : KO TRANSMISSION COMPANY				
TARIFF RATE EFFECTIVE DATE :	4/1/2006			
<u>BILLING DEMAND - TARIFF RATE - FT</u>				
Maximum Daily Quantity	0.3560	72,000	12	307,584
CAPACITY RELEASE CREDIT				0
TOTAL KO TRANSMISSION CO. DEMAND CHARGES				307,584
VARIOUS GAS MARKETERS FIXED (RESERVATION) CHARGES :				
November - March	0.022	7,621,216		167,310
December - February	0.4183	513,000		214,605
TOTAL GAS MARKETERS FIXED CHARGES				381,915

Currently Effective Rates
Applicable to Rate Schedule FTS-1
Rates per Dth

Base Rate (1)	Annual Charge Adjustment (2)	Subtotal (3)	Total Effective Rate (4)	Daily Rate (5)	Company Use and Unaccounted For (6)
\$	\$	\$	\$	\$	\$
3.1450	1/	3.1450	3.1450	0.1034	-
0.0170	0.0018	0.0188	0.0188	0.0188	2.265
0.0170	0.0018	0.0188	0.0188	0.0188	2.265
0.1204	0.0018	0.1222	0.1222	0.1222	2.265

Rate Schedule FTS-1
Rayne, LA To Points North
Reservation Charge 2/

Commodity
Maximum
Minimum
Overrun

1/ Pursuant to Section 154.402 of the Commission's Regulations, Rate applies to all Gas Delivered and is non-cumulative, i.e., when transportation involves more than one zone, rate will be applied only one time.

2/ The Minimum Rate under Reservation Charge is zero (0).

**CURRENTLY EFFECTIVE RATES
 APPLICABLE TO RATE SCHEDULES FTS AND ITS**

RATE LEVELS - RATE PER DTH

	Base Tariff Rate	Annual Charge Adjustment 1/	Total Effective Rate
RATE SCHEDULE (FTS)			
Reservation Charge 2/			
Maximum 1	\$0.3560	--	\$0.3560
Maximum 2	\$0.3560	--	\$0.3560
Daily Rate - Maximum 1	\$0.0117	--	\$0.0117
Daily Rate - Maximum 2	\$0.0117	--	\$0.0117
Commodity			
Maximum	\$0.0000	\$0.0018	\$0.0018
Minimum	\$0.0000	\$0.0018	\$0.0018
Overrun	\$0.0117	\$0.0018	\$0.0135

RATE SCHEDULE ITS

Commodity			
Maximum	\$0.0117	\$0.0018	\$0.0135
Minimum	\$0.0000	\$0.0018	\$0.0018

1/ ACA assessed where applicable pursuant to Section 154.402 of the Commission's regulations and will be charged pursuant to Section 23 of the General Terms and Conditions at such time that initial and successive annual ACA assessments applicable to Transporter are made.

2/ Minimum reservation charge is \$0.00.

Transportation Retainage Adjustment 0.62%

NOTE: Utilizing GISB standards 5 3 22 and 5 3 23, Transporter's Rate Schedule FTS Reservation Charge can be converted to an applicable daily rate by dividing the above monthly rate by 30 4 days

8/4/2006

**THE UNION LIGHT, HEAT & POWER COMPANY
TOTAL RESERVATION COSTS FROM FIRM SUPPLIERS
ESTIMATED FOR EGC EFFECTIVE 9/1/2006**

TOTAL ANNUAL RESERVATION COST:

TOTAL DOLLARS \$ 167,310 (1)

TOTAL ANNUAL COVERAGE:

CITY GATE VOLUMES 7,621,216 DTH (2)

CALCULATED RATE: \$ 0.0220 PER DTH

- (1) Reservation charges billed by firm suppliers for 2005 - 2006.
(2) Contracted volumes for the 2005 - 2006 winter season.

GAS COST ADJUSTMENT
DUKE ENERGY KENTUCKY

TAILS FOR THE EGC RATE IN EFFECT AS OF : AUGUST 29, 2006

GAS COMMODITY RATE FOR SEPTEMBER, 2006:

GAS MARKETERS :

WEIGHTED AVERAGE GAS COST @ CITY GATE (\$/Dth) (1):			\$8.3011	\$/Dth
DUKE ENERGY KENTUCKY FUEL	1.800%	\$0.1494	\$8.4505	\$/Dth
DTH TO MCF CONVERSION	1.0361	\$0.3051	\$8.7556	\$/Mcf
ESTIMATED WEIGHTING FACTOR	1.0000		\$8.7556	\$/Mcf
GAS MARKETERS COMMODITY RATE			\$8.756	\$/Mcf

GAS STORAGE :

COLUMBIA GAS TRANS. - STORAGE INVENTORY RATE			\$7.9046	\$/Dth
COLUMBIA GAS TRANS. FSS WITHDRAWAL FEE		\$0.0153	\$7.9199	\$/Dth
COLUMBIA GAS TRANS. SST FUEL	2.083%	\$0.1650	\$8.0849	\$/Dth
COLUMBIA GAS TRANS SST COMMODITY RATE		\$0.0154	\$8.1003	\$/Dth
KO TRANS, COMMODITY RATE		\$0.0135	\$8.1138	\$/Dth
DUKE ENERGY KENTUCKY FUEL	1.800%	\$0.1460	\$8.2598	\$/Dth
DTH TO MCF CONVERSION	1.0361	\$0.2982	\$8.5580	\$/Mcf
ESTIMATED WEIGHTING FACTOR	0.0000		\$0.0000	\$/Mcf
GAS STORAGE COMMODITY RATE - COLUMBIA GAS			\$0.000	\$/Mcf

PROPANE :

ERLANGER PROPANE INVENTORY RATE			\$0.34268	\$/Gallon
GALLON TO MCF CONVERSION	14.84	\$4.7427	\$5.0854	\$/Mcf
ESTIMATED WEIGHTING FACTOR	0.0000		\$0.0000	\$/Mcf
PROPANE COMMODITY RATE			\$0.000	\$/Mcf

(1) Weighted average cost of gas based on NYMEX prices on 8/7/06 and contracted hedging prices.

SCHEDULE II

GAS COST ADJUSTMENT CLAUSE
DUKE ENERGY KENTUCKY
SUPPLIER REFUND ADJUSTMENT
DETAILS FOR THE THREE MONTH PERIOD ENDED

MAY 31,

2006

DESCRIPTION	UNIT	AMOUNT
SUPPLIER REFUNDS RECEIVED DURING THREE MONTH PERIOD MARCH 1, 2006 THROUGH MAY 31, 2006	\$	23,740.23
INTEREST FACTOR (REFLECTING 90 DAY COMMERCIAL PAPER RATE)		1.0215
REFUNDS INCLUDING INTEREST (\$23,740.23 x 1.0215)	\$	24,250.64
DIVIDED BY 12 MONTH PROJECTED SALES ENDED AUGUST 31, 2007	MCF	11,869,274
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	<u>(0.002)</u>

DETAILS OF SUPPLIER REFUNDS RECEIVED DURING THE THREE MONTHS ENDED

MAY 31,

2006

DESCRIPTION	UNIT	AMOUNT
<u>SUPPLIER</u>		
Adjustment to reclass refunds to ULHP for 2001 to 2005	\$	11,278.23
COLUMBIA GAS TRANSMISSION CORPORATION - REFUND DATED MAY 08, 2006		12,462.00
TOTAL REFUNDS APPLICABLE TO THE CURRENT GCA RAU	\$	<u>23,740.23</u>

GAS COST ADJUSTMENT CLAUSE
DUKE ENERGY KENTUCKY
ACTUAL ADJUSTMENT
DETAILS FOR THE THREE MONTH PERIOD ENDED MAY 31, 2006

DESCRIPTION	UNIT	MARCH	APRIL	MAY
<u>SUPPLY VOLUME PER BOOKS</u>				
PRIMARY GAS SUPPLIERS	MCF	1,396,793	538,649	383,591
UTILITY PRODUCTION	MCF	0	0	0
INCLUDABLE PROPANE	MCF	0	0	0
OTHER VOLUMES (SPECIFY) ADJUSTMENT	MCF	(14,334)	(15,724)	(18,464)
TOTAL SUPPLY VOLUMES	MCF	<u>1,382,459</u>	<u>522,925</u>	<u>365,127</u>
<u>SUPPLY COST PER BOOKS</u>				
PRIMARY GAS SUPPLIERS	\$	11,636,312	4,664,286	3,513,664
SPECIAL PURCHASES CREDIT	\$	0	0	0
INCLUDABLE PROPANE	\$	0	0	0
OTHER COSTS (SPECIFY):				
MIRANT MANAGEMENT FEE	\$	(20,483)	(20,483)	(20,483)
X-5 TARIFF	\$	0	0	0
TRANSPORTATION SERVICE "UNACCOUNTED FOR"	\$	0	0	0
GAS COST CREDIT	\$	0	0	0
LOSSES - DAMAGED LINES	\$	0	0	0
TRANSPORTATION TAKE-OR-PAY RECOVERY	\$	0	0	0
SALES TO REMARKETERS	\$	0	0	0
TOTAL SUPPLY COSTS	\$	<u>11,615,829</u>	<u>4,643,803</u>	<u>3,493,181</u>
<u>S/ VOLUMES</u>				
JURISDICTIONAL	MCF	1,444,439.0	896,532.4	376,725.3
NON-JURISDICTIONAL	MCF	0	0	0
OTHER VOLUMES (SPECIFY):	MCF	0	0	0
TOTAL SALES VOLUMES	MCF	<u>1,444,439.0</u>	<u>896,532.4</u>	<u>376,725.3</u>
UNIT BOOK COST OF GAS (SUPPLY \$ / SALES MCF)	\$/MCF	8.042	5.180	9.272
LESS: EGC IN EFFECT FOR THE MONTH	\$/MCF	<u>9.034</u>	<u>8.502</u>	<u>9.217</u>
DIFFERENCE	\$/MCF	(0.992)	(3.322)	0.055
TIMES: MONTHLY JURISDICTIONAL SALES	MCF	<u>1,444,439.0</u>	<u>896,532.4</u>	<u>376,725.3</u>
EQUALS MONTHLY COST DIFFERENCE	\$	<u>(1,432,883.49)</u>	<u>(2,978,280.63)</u>	<u>20,719.89</u>
NET COST DIFFERENCE FOR THE THREE MONTH PERIOD	\$			(4,390,444.23)
TOTAL COST USED IN THE CURRENT AA CALCULATION	\$			<u>(4,390,444.23)</u>
DIVIDED BY: 12 MONTH PROJECTED SALES ENDED <u>AUGUST 31,</u> <u>2007</u>	MCF			11,869,274
EQUALS CURRENT QUARTERLY ACTUAL ADJUSTMENT	\$/MCF			<u>(0.370)</u>

**GAS COST ADJUSTMENT CLAUSE
DUKE ENERGY KENTUCKY
BALANCE ADJUSTMENT
DETAILS FOR THE TWELVE MONTH PERIOD ENDED MAY 31, 2006**

DESCRIPTION	UNIT	AMOUNT
<u>RECONCILIATION OF A PREVIOUS GAS COST VARIANCE</u>		
GAS COST DIFFERENCE TO BE RECOVERED FROM OR (RETURNED TO) CUSTOMERS WHICH WAS USED TO COMPUTE THE "AA" EFFECTIVE JUNE 1, 2005	\$	805,943.35
LESS: AMOUNT RECOVERED (RETURNED) BY THE AA OF \$ <u>0.070</u> /MCF APPLIED TO TOTAL SALES OF <u>9,584,686</u> MCF (TWELVE MONTHS ENDED MAY 31, 2006)	\$	<u>670,928.07</u>
BALANCE ADJUSTMENT FOR THE "AA"	\$	<u>135,015.28</u>
<u>RECONCILIATION OF A PREVIOUS SUPPLIER REFUND</u>		
SUPPLIER REFUND AMOUNT TO BE DISTRIBUTED TO CUSTOMERS WHICH WAS USED TO COMPUTE THE "RA" EFFECTIVE JUNE 1, 2005	\$	(17,733.11)
LESS: AMOUNT DISTRIBUTED BY THE "RA" OF \$ <u>(0.002)</u> /MCF APPLIED TO TOTAL SALES OF <u>9,584,686</u> MCF (TWELVE MONTHS ENDED MAY 31, 2006)	\$	<u>(19,169.34)</u>
BAU ADJUSTMENT FOR THE "RA"		<u>1,436.23</u>
<u>RECONCILIATION OF A PREVIOUS BALANCE ADJUSTMENT</u>		
AMOUNT TO BE RECOVERED FROM OR (RETURNED TO) CUSTOMERS WHICH WAS USED TO COMPUTE THE "BA" EFFECTIVE JUNE 1, 2005	\$	591,442.86
LESS: AMOUNT RECOVERED (RETURNED) BY THE "BA" OF \$ <u>0.052</u> /MCF APPLIED TO TOTAL SALES OF <u>9,584,686</u> MCF (TWELVE MONTHS ENDED MAY 31, 2006)	\$	<u>498,403.70</u>
BALANCE ADJUSTMENT FOR THE "BA"	\$	<u>93,039.16</u>
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	<u>229,490.67</u>
DIVIDED BY: 12 MONTHS PROJECTED SALES ENDED AUGUST 31, 2007	MCF	<u>11,869,274</u>
EQUALS: CURRENT QUARTER BALANCE ADJUSTMENT	\$/MCF	<u>0.019</u>
BAU		

Revised Tariff Schedules

INDEX TO APPLICABLE GAS TARIFF SCHEDULES AND COMMUNITIES SERVED

	<u>Sheet No.</u>	<u>Billing Effective Date</u>	<u>Effective Date per Order</u>	
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Reserved for Future Use.....	46			
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Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No. _____

Issued:

Effective: August 29, 2006

Issued by Sandra P. Meyer, President

INDEX TO APPLICABLE GAS TARIFF SCHEDULES AND COMMUNITIES SERVED (Contd.)

	<u>Sheet No.</u>	<u>Billing Effective Date</u>	<u>Effective Date per Order</u>	
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Rider DSMR, Demand Side Management Rate.....	62	04/03/06	04/03/06	
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Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No. _____

Issued:

Effective: August 29, 2006

Issued by Sandra P. Meyer, President

RATE RS

RESIDENTIAL SERVICE

APPLICABILITY

Applicable to firm natural gas service, which is comprised of commodity gas supply and local delivery service, required for all domestic purposes in private residences, single occupancy apartments, and common use areas of multi-occupancy buildings, when supplied at one point of delivery where distribution mains are adjacent to the premises to be served.

NET MONTHLY BILL

The Net Monthly Bill is determined as follows:
All gas is billed in units of 100 cubic feet (CCF).

Customer Charge per month: \$12.10
Plus the applicable charge per month as set forth on Sheet No. 63,
Rider AMRP, Accelerated Main Replacement Program

	<u>Delivery Rate</u>		<u>Gas Cost Adjustment</u>		<u>Total Rate</u>	
Plus a commodity Charge for all CCF at	\$0.26687	plus	\$0.96830	Equals	\$1.23517	(I)

Plus, all delivered gas shall be subject to an adjustment per CCF as set forth on:
Sheet No. 62, Rider DSMR, Demand Side Management Rate. In addition, the EAP charge shown on
Rider DSMR shall be added to the monthly Customer Charge shown above.

The "Customer Charge" shown above plus Rider AMRP shall be the minimum amount billed each
month.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in
accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 70 of this tariff.

When bills are rendered less frequently than monthly the time related units such as cubic feet blocks,
minimum or other charges, will be billed in accordance with the number of billing months in the meter
reading interval.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days
from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is
the Net Monthly Bill plus 5%, is due and payable.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the
jurisdiction of the Kentucky Public Service Commission and to Company's Service Regulations
currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

Issued by authority of an Order of the Kentucky Public Service Commission, dated _____ in Case
No. _____

Issued:

Effective: August 29, 2006

Issued by Sandra P. Meyer, President

RATE GS

GENERAL SERVICE

APPLICABILITY

Applicable to firm natural gas service, which is comprised of commodity gas supply and local delivery service, required for any purpose by an individual non-residential customer at one location when supplied at one point of delivery where distribution mains are adjacent to the premises to be served. This schedule is also applicable to non-metered natural gas commodity supplies and local delivery service for street lighting to such entities as certificated homeowners associations, businesses, and federal, state, and local governments. The Company may decline requests for service under this tariff due to gas supply limitations.

NET MONTHLY BILL

The Net Monthly Bill is determined as follows:
All gas is billed in units of 100 cubic feet (CCF)

Customer Charge per month: \$30.00
Plus the applicable charge per month as set forth on Sheet No. 63,
Rider AMRP, Accelerated Main Replacement Program

	<u>Delivery Rate</u>		<u>Gas Cost Adjustment</u>		<u>Total Rate</u>	
Plus a Commodity Charge for all CCF at	\$0.20949	Plus	\$0.96830	Equals	\$1.17779	(I)

Plus all delivered gas shall be subject to an adjustment per CCF as set forth on:
Sheet No. 62, Rider DSMR, Demand Side Management Rate for non-residential service

The "Customer Charge" shown above plus Rider AMRP shall be the minimum amount billed per month.

The "Gas Cost Adjustment," as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 70 of this tariff.

When bills are rendered less frequently than monthly the time related units such as cubic feet blocks, minimum bills or other charges, will be billed in accordance with the number of billing months in the meter reading interval.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

One year, terminable thereafter on ten (10) days written notice by either customer or Company.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission as provided by law.

Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No.

Issued:

Effective: August 29, 2006

Issued by Sandra P. Meyer, President

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Gas No. 1
Second Revised Sheet No. 77
Cancelling and Superseding
First Revised Sheet No. 77
Page 1 of 1

RIDER GCAT

GAS COST ADJUSTMENT TRANSITION RIDER

APPLICABILITY

Applicable to all customers served under Rate FT-L after the effective date of this tariff who paid gas supply costs through the Company's Gas Cost Adjustment (GCA) mechanism during the twelve month period immediately preceding the date on which the customer began receiving service under Rate FT-L.

GCA TRANSITION RIDER

A charge or credit shall be applied to all volumes transported pursuant to Rate FT-L in order to pass through to former GCA customers the Company's quarterly Actual Adjustment (AA), Balance Adjustment (BA), and Supplier Refund and Reconciliation Adjustment (RA) costs or credits during the first twelve months that the former sales customer participates in the Company's firm transportation program.

The amount of this charge or (credit) shall be \$0.04470 per 100 cubic feet. This rate shall be in effect during the month of September 2006 through November 2006 and shall be updated quarterly, concurrent with the Company's GCA filings.

Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No. _____

Issued:

Effective: August 29, 2006

Issued by Sandra P. Meyer, President

DUKE ENERGY KENTUCKY
SUPPLEMENTAL INFORMATION
FOR THE EXPECTED GAS COST (EGC) RATE CALCULATION
OF THE GAS COST RECOVERY RATE
IN EFFECT AS OF AUGUST 29, 2006

3RD QUARTER INT

THE UNION LIGHT, HEAT AND POWER COMPANY
 USED FOR GCA EFFECTIVE AUGUST 29, 2006
 CALCULATION OF THE INTEREST FACTOR
 FOR THE GCA CALCULATION ON SCHEDULE II

TWELVE MONTHS ENDED JUNE 30, 2006
 BLOOMBERG REPORT (90-DAY COMMERCIAL PAPER RATES)

INTEREST RATE	0.0394
PAYMENT	0.085122
ANNUAL TOTAL	1.0215
MONTHLY INTEREST	0.003283
AMOUNT	1

JUNE	2005	3.37	
JULY	2005	3.55	
AUGUST	2005	3.72	
SEPTEMBER	2005	3.88	
OCTOBER	2005	4.12	
NOVEMBER	2005	4.27	
DECEMBER	2005	4.38	
JANUARY	2006	4.54	
FEBRUARY	2006	4.66	
MARCH	2006	4.83	
APRIL	2006	4.93	
MAY	2006	5.05	51.30
JUNE	2006	5.31	53.24

PRIOR ANNUAL TOTAL	51.30
PLUS CURRENT MONTHLY RATE	5.31
LESS YEAR AGO RATE	3.37
NEW ANNUAL TOTAL	53.24
AVERAGE ANNUAL RATE	4.44
LESS 0.5% (ADMINISTRATIVE)	3.94

08/08/06

**DUKE ENERGY COMPANY KENTUCKY
DETERMINATION OF TOTAL SUPPLY COST
MONTH OF MARCH, 2006**

<u>DESCRIPTION</u>		<u>TOTAL AMOUNT ROUNDED</u>
<u>PRIMARY GAS SUPPLY COST</u>		\$
current month	11,741,977.46	
adjustments	(106,524.71)	
IT monthly charges entered by Gas Supply	859.13	11,636,312
 <u>LESS: RATE SCHEDULE CF CREDIT</u>		
current month	0.00	
adjustments	0.00	0
 PLUS: INCLUDABLE PROPANE		
a/c 728-3 Erlanger	0.00	0
 <u>LESS: X-5 TARIFF</u>	0.00	0
LESS CMT MANAGEMENT FEE	20,483.00	(20,483)
 LESS: TOP TRANSP. RECOVERIES	0.00	0
LESS: GAS LOSSES - DAMAGED LINES	0.00	0
	0.00	
adjustments	0.00	0
LESS: GAS COST CREDIT	0.00	0
 <u>LESS: FIRM TRANSPORTATION ADJUSTMENTS</u>		
current month	0.00	
adjustments	0.00	0
 TOTAL SUPPLY COSTS		11,615,829

ACCOUNTING ENTRY FOR DEFERRAL ONLYAMOUNT

ACCOUNT 191-40	(1,432,883.49)
ACCOUNT 805-10	1,432,883.49

PURCHASED GAS ADJUSTMENT

SCHEDULE III

COMPANY NAME: DUKE ENERGY COMPANY KENTUCKY

ACTUAL ADJUSTMENT

DETAILS FOR THE MONTH

MARCH, 2006

<u>PARTICULARS</u>	<u>UNIT</u>	<u>MONTH MARCH, 2006</u>
<u>SUPPLY VOLUME PER BOOKS</u>		
Primary Gas Suppliers	MCF	1,396,793
Utility Production	MCF	0
Includable Propane	MCF	0
Other Volumes (Specify) - Previous Month Adj.	MCF	<u>(14,334)</u>
TOTAL SUPPLY VOLUMES	MCF	<u>1,382,459</u>
<u>SUPPLY COST PER BOOKS</u>		
Primary Gas Suppliers	\$	11,636,312
Includable Propane	\$	0
Other Cost (Specify) - Gas Cost Credit	\$	0
- Unacct'd for Transp.	\$	0
- CF Credit	\$	0
- X-5 Tariff	\$	0
- CMT Management Fee	\$	(20,483)
- Losses-Damaged Lines	\$	0
- Gas Sold to Remarketers	\$	0
- TOP Transp. Recoveries	\$	<u>0</u>
TOTAL SUPPLY COST	\$	<u>11,615,829</u>
<u>SALES VOLUMES</u>		
Jurisdictional	MCF	1,444,439.0
Non-Jurisdictional	MCF	
Other Volumes (Specify) -	MCF	
TOTAL SALES VOLUME	MCF	<u>1,444,439.0</u>
UNIT BOOK COST OF GAS (SUPPLY \$ / SALES MCF)	\$/MCF	8.042
LESS: EGC IN EFFECT FOR MONTH	\$/MCF	<u>9.034</u>
DIFFERENCE	\$/MCF	(0.992)
TIMES: MONTHLY JURISDICTIONAL SALES	MCF	<u>1,444,439.0</u>
MONTHLY COST DIFFERENCE	\$	<u><u>(1,432,883.49)</u></u>

DUKE ENERGY COMPANY KENTUCKY

MARCH, 2006

	<u>Applied</u> <u>MCF Sales</u>	<u>Amount</u>	<u>\$/MCF</u>
<u>GAS FUEL ADJUSTMENT BILLED</u>			
EGC	1,444,439.0	13,049,684.78	9.03443121
RA		(8,658.40)	
AA		687,541.20	
BA		50,845.38	
		<u>13,779,412.96</u>	
TOTAL GAS COST RECOVERY(GCR)			
TOTAL SALES VOLUME	1,444,439.0		
LESS: NON-JURISDICTIONAL SALES	<u>0.0</u>		
JURISDICTIONAL SALES	<u>1,444,439.0</u>		

PROOF OF UNRECOVERED PURCHASED GAS COST ENTRY

SUPPLIER COST - CURRENT MONTH	1,444,439.0	11,615,829.00	8.04175808
UNRECOVERED PURCHASED GAS COST		2,120,424.69	
ROUNDING(ADD)/(DEDUCT))		<u>972.29</u>	
TOTAL GAS COST IN REVENUE		<u>13,737,225.98</u>	
TOTAL GAS COST RECOVERY(GCR)		13,779,412.96	
LESS: RA		(8,658.40)	
BA		<u>50,845.38</u>	
PLUS: COST OF NON-JURISDICTIONAL SALES		<u>13,737,225.98</u>	
UNRECOVERED PURCHASED GAS COST ENTRY		2,120,424.69	
LESS: AA		<u>687,541.20</u>	
MONTHLY COST DIFFERENCE		1,432,883.49	
EXTENDED MONTHLY COST DIFFERENCE		<u>1,433,855.78</u>	
ROUNDING		<u>972.29</u>	

08/08/06

**DUKE ENERGY COMPANY KENTUCKY
DETERMINATION OF TOTAL SUPPLY COST
MONTH OF APRIL, 2006**

<u>DESCRIPTION</u>		<u>TOTAL AMOUNT ROUNDED</u>
<u>PRIMARY GAS SUPPLY COST</u>		\$
current month	4,790,502.63	
adjustments	(126,145.71)	
IT monthly charges entered by Gas Supply	(71.39)	
	<hr/>	4,664,286
 <u>LESS: RATE SCHEDULE CF CREDIT</u>		
current month	0.00	
adjustments	0.00	
	<hr/>	0
 <u>PLUS: INCLUDABLE PROPANE</u>		
a/c 728-3 Erlanger	0.00	0
 <u>LESS: X-5 TARIFF</u>	0.00	0
 <u>LESS CMT MANAGEMENT FEE</u>	20,483.00	(20,483)
 <u>LESS: TOP TRANSP. RECOVERIES</u>	0.00	0
 <u>LESS: GAS LOSSES - DAMAGED LINES</u>	0.00	0
	0.00	
adjustments	0.00	
	<hr/>	0
 <u>LESS: GAS COST CREDIT</u>	0.00	0
 <u>LESS: FIRM TRANSPORTATION ADJUSTMENTS</u>		
current month	0.00	
adjustments	0.00	
	<hr/>	0
 TOTAL SUPPLY COSTS		 <hr/> 4,643,803 <hr/>

ACCOUNTING ENTRY FOR DEFERRAL ONLYAMOUNT

ACCOUNT 191-40	(2,978,280.63)
ACCOUNT 805-10	2,978,280.63

PURCHASED GAS ADJUSTMENT

SCHEDULE III

COMPANY NAME: DUKE ENERGY COMPANY KENTUCKY

ACTUAL ADJUSTMENT

DETAILS FOR THE MONTH

APRIL, 2006

<u>PARTICULARS</u>	<u>UNIT</u>	<u>MONTH APRIL, 2006</u>
<u>SUPPLY VOLUME PER BOOKS</u>		
Primary Gas Suppliers	MCF	538,649
Utility Production	MCF	0
Includable Propane	MCF	0
Other Volumes (Specify) - Previous Month Adj.	MCF	<u>(15,724)</u>
TOTAL SUPPLY VOLUMES	MCF	<u>522,925</u>
<u>SUPPLY COST PER BOOKS</u>		
Primary Gas Suppliers	\$	4,664,286
Includable Propane	\$	0
Other Cost (Specify) - Gas Cost Credit	\$	0
- Unacct'd for Transp.	\$	0
- CF Credit	\$	0
- X-5 Tariff	\$	0
- CMT Management Fee	\$	(20,483)
- Losses-Damaged Lines	\$	0
- Gas Sold to Remarketers	\$	0
- TOP Transp. Recoveries	\$	<u>0</u>
TOTAL SUPPLY COST	\$	<u>4,643,803</u>
<u>SALES VOLUMES</u>		
Jurisdictional	MCF	896,532.4
Non-Jurisdictional	MCF	
Other Volumes (Specify) -	MCF	<u></u>
TOTAL SALES VOLUME	MCF	<u>896,532.4</u>
UNIT BOOK COST OF GAS (SUPPLY \$ / SALES MCF)	\$/MCF	5.180
LESS: EGC IN EFFECT FOR MONTH	\$/MCF	<u>8.502</u>
DIFFERENCE	\$/MCF	(3.322)
TIMES: MONTHLY JURISDICTIONAL SALES	MCF	<u>896,532.4</u>
MONTHLY COST DIFFERENCE	\$	<u><u>(2,978,280.63)</u></u>

DUKE ENERGY COMPANY KENTUCKY

APRIL, 2006

	<u>Applied</u> <u>MCF Sales</u>	<u>Amount</u>	<u>\$/MCF</u>
<u>GAS FUEL ADJUSTMENT BILLED</u>			
EGC	896,532.4	7,622,741.19	8.50247151
RA		(5,366.58)	
AA		429,973.04	
BA		<u>31,484.77</u>	
TOTAL GAS COST RECOVERY(GCR)		<u><u>8,078,832.42</u></u>	
TOTAL SALES VOLUME	896,532.4		
LESS: NON-JURISDICTIONAL SALES	<u>0.0</u>		
JURISDICTIONAL SALES	<u><u>896,532.4</u></u>		
 <u>PROOF OF UNRECOVERED PURCHASED GAS COST ENTRY</u>			
SUPPLIER COST - CURRENT MONTH	896,532.4	4,643,803.00	5.17973807
UNRECOVERED PURCHASED GAS COST		3,408,253.67	
ROUNDING(ADD/(DEDUCT))		<u>657.56</u>	
TOTAL GAS COST IN REVENUE		<u><u>8,052,714.23</u></u>	
TOTAL GAS COST RECOVERY(GCR)		8,078,832.42	
LESS: RA		(5,366.58)	
BA		<u>31,484.77</u>	
PLUS: COST OF NON-JURISDICTIONAL SALES		<u><u>8,052,714.23</u></u>	
UNRECOVERED PURCHASED GAS COST ENTRY		3,408,253.67	
LESS: AA		<u>429,973.04</u>	
MONTHLY COST DIFFERENCE		2,978,280.63	
EXTENDED MONTHLY COST DIFFERENCE		<u>2,978,938.19</u>	
ROUNDING		<u><u>657.56</u></u>	

08/08/06

DUKE ENERGY COMPANY KENTUCKY
DETERMINATION OF TOTAL SUPPLY COST
MONTH OF MAY, 2006

<u>DESCRIPTION</u>		<u>TOTAL AMOUNT ROUNDED</u>
<u>PRIMARY GAS SUPPLY COST</u>		\$
current month	3,452,947.00	
adjustments	64,337.20	
IT monthly charges entered by Gas Supply	<u>(3,620.65)</u>	3,513,664
 <u>LESS: RATE SCHEDULE CF CREDIT</u>		
current month	0.00	
adjustments	<u>0.00</u>	0
 PLUS: INCLUDABLE PROPANE		
a/c 728-3 Erlanger	0.00	0
 <u>LESS: X-5 TARIFF</u>	0.00	0
 LESS CMT MANAGEMENT FEE	20,483.00	(20,483)
 LESS: TOP TRANSP. RECOVERIES	0.00	0
 LESS: GAS LOSSES - DAMAGED LINES	0.00	0
 adjustments	0.00	
	<u>0.00</u>	0
 LESS: GAS COST CREDIT	0.00	0
 <u>LESS: FIRM TRANSPORTATION ADJUSTMENTS</u>		
current month	0.00	
adjustments	<u>0.00</u>	0
 TOTAL SUPPLY COSTS		<u><u>3,493,181</u></u>

ACCOUNTING ENTRY FOR DEFERRAL ONLYAMOUNT

ACCOUNT 191-40
ACCOUNT 805-10

20,719.89
(20,719.89)

PURCHASED GAS ADJUSTMENT

SCHEDULE III

COMPANY NAME: DUKE ENERGY COMPANY KENTUCKY

ACTUAL ADJUSTMENT

DETAILS FOR THE MONTH

MAY, 2006

<u>PARTICULARS</u>	<u>UNIT</u>	<u>MONTH MAY, 2006</u>
<u>SUPPLY VOLUME PER BOOKS</u>		
Primary Gas Suppliers	MCF	383,591
Utility Production	MCF	0
Includable Propane	MCF	0
Other Volumes (Specify) - Previous Month Adj.	MCF	(18,464)
TOTAL SUPPLY VOLUMES	MCF	<u>365,127</u>
<u>SUPPLY COST PER BOOKS</u>		
Primary Gas Suppliers	\$	3,513,664
Includable Propane	\$	0
Other Cost (Specify) - Gas Cost Credit	\$	0
- Unacct'd for Transp.	\$	0
- CF Credit	\$	0
- X-5 Tariff	\$	0
- CMT Management Fee	\$	(20,483)
- Losses-Damaged Lines	\$	0
- Gas Sold to Remarketers	\$	0
- TOP Transp. Recoveries	\$	0
TOTAL SUPPLY COST	\$	<u>3,493,181</u>
<u>SALES VOLUMES</u>		
Jurisdictional	MCF	376,725.3
Non-Jurisdictional	MCF	
Other Volumes (Specify) -	MCF	
TOTAL SALES VOLUME	MCF	<u>376,725.3</u>
UNIT BOOK COST OF GAS (SUPPLY \$ / SALES MCF)	\$/MCF	9.272
LESS: EGC IN EFFECT FOR MONTH	\$/MCF	<u>9.217</u>
DIFFERENCE	\$/MCF	0.055
TIMES: MONTHLY JURISDICTIONAL SALES	MCF	<u>376,725.3</u>
MONTHLY COST DIFFERENCE	\$	<u><u>20,719.89</u></u>

DUKE ENERGY COMPANY KENTUCKY

MAY, 2006

	<u>Applied</u> <u>MCF Sales</u>	<u>Amount</u>	<u>\$/MCF</u>
<u>GAS FUEL ADJUSTMENT BILLED</u>			
EGC	376,725.3	3,472,310.88	9.21708969
RA		(2,256.82)	
AA		174,744.44	
BA		<u>13,432.57</u>	
TOTAL GAS COST RECOVERY(GCR)		<u><u>3,658,231.07</u></u>	
TOTAL SALES VOLUME	376,725.3		
LESS: NON-JURISDICTIONAL SALES	<u>0.0</u>		
JURISDICTIONAL SALES	<u><u>376,725.3</u></u>		
<u>PROOF OF UNRECOVERED PURCHASED GAS COST ENTRY</u>			
SUPPLIER COST - CURRENT MONTH	376,725.3	3,493,181.00	9.27248847
UNRECOVERED PURCHASED GAS COST		154,024.55	
ROUNDING(ADD/(DEDUCT))		<u>(150.23)</u>	
TOTAL GAS COST IN REVENUE		<u><u>3,647,055.32</u></u>	
TOTAL GAS COST RECOVERY(GCR)		3,658,231.07	
LESS: RA		(2,256.82)	
BA		<u>13,432.57</u>	
PLUS: COST OF NON-JURISDICTIONAL SALES		<u> </u>	
		<u><u>3,647,055.32</u></u>	
UNRECOVERED PURCHASED GAS COST ENTRY		154,024.55	
LESS: AA		<u>174,744.44</u>	
MONTHLY COST DIFFERENCE		(20,719.89)	
EXTENDED MONTHLY COST DIFFERENCE		<u>(20,870.12)</u>	
ROUNDING		<u><u>(150.23)</u></u>	

DUKE ENERGY KENTUCKY
SUMMARY OF GAS COST VARIATION COMPONENTS
BY BILLING CODE

MON/YR	BILLING CODE	EST'D. GAS COST	QUARTERLY RECONCILIATION ADJUSTMENT				QUARTERLY ACTUAL ADJUSTMENT				BALANCE ADJUSTMENT				TOTAL GCR FACTOR
			CURRENT	PREVIOUS	2ND PREV	3RD PREV	CURRENT	PREVIOUS	2ND PREV	3RD PREV	CURRENT	PREVIOUS	2ND PREV	3RD PREV	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Jan-05	015	7.611	0.000	(0.001)	0.000	0.000	(0.045)	(0.320)	0.144	0.347	(0.013)	0.023	(0.041)	0.031	7.736
Feb-05	035	7.277	0.000	(0.001)	0.000	0.000	(0.045)	(0.320)	0.144	0.347	(0.013)	0.023	(0.041)	0.031	7.402
Mar-05	045	7.305	0.000	0.000	(0.001)	0.000	0.362	(0.045)	(0.320)	0.144	(0.004)	(0.013)	0.023	(0.041)	7.410
Apr-05	065	7.941	0.000	0.000	(0.001)	0.000	0.362	(0.045)	(0.320)	0.144	(0.004)	(0.013)	0.023	(0.041)	8.046
May-05	075	8.193	0.000	0.000	(0.001)	0.000	0.362	(0.045)	(0.320)	0.144	(0.004)	(0.013)	0.023	(0.041)	8.298
Jun-05	085	7.764	(0.002)	0.000	0.000	(0.001)	0.070	0.362	(0.045)	(0.320)	0.052	(0.004)	(0.013)	0.023	7.886
Jul-05	105	8.015	(0.002)	0.000	0.000	(0.001)	0.070	0.362	(0.045)	(0.320)	0.052	(0.004)	(0.013)	0.023	8.137
Aug-05	115	8.389	(0.002)	0.000	0.000	(0.001)	0.070	0.362	(0.045)	(0.320)	0.052	(0.004)	(0.013)	0.023	8.511
Sep-05	125	9.339	(0.004)	(0.002)	0.000	0.000	(0.420)	0.070	0.362	(0.045)	0.010	0.052	(0.004)	(0.013)	9.345
Oct-05	145	11.591	(0.004)	(0.002)	0.000	0.000	(0.420)	0.070	0.362	(0.045)	0.010	0.052	(0.004)	(0.013)	11.597
Nov-05	155	13.010	(0.004)	(0.002)	0.000	0.000	(0.420)	0.070	0.362	(0.045)	0.010	0.052	(0.004)	(0.013)	13.016
Dec-05	165	12.219	0.000	(0.004)	(0.002)	0.000	(0.013)	(0.420)	0.070	0.362	(0.023)	0.010	0.052	(0.004)	12.247
Jan-06	016	12.135	0.000	(0.004)	(0.002)	0.000	(0.013)	(0.420)	0.070	0.362	(0.023)	0.010	0.052	(0.004)	12.163
Feb-06	016	10.308	0.000	(0.004)	(0.002)	0.000	(0.013)	(0.420)	0.070	0.362	(0.023)	0.010	0.052	(0.004)	10.336
Mar-06	046	8.948	0.000	0.000	(0.004)	(0.002)	0.873	(0.013)	(0.420)	0.070	(0.004)	(0.023)	0.010	0.052	9.487
Apr-06	066	8.391	0.000	0.000	(0.004)	(0.002)	0.873	(0.013)	(0.420)	0.070	(0.004)	(0.023)	0.010	0.052	8.930
May-06	076	9.131	0.000	0.000	(0.004)	(0.002)	0.873	(0.013)	(0.420)	0.070	(0.004)	(0.023)	0.010	0.052	9.670